



TANAMI GOLD NL
Independent Expert's Report

9 April 2018



Financial Services Guide

9 April 2018

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Tanami Gold NL ('Tanami') to provide an independent expert's report on the proposal for Allied Properties Resources Limited ('Allied') to transfer its 38.09% interest in Tanami to APAC Resources Mining Limited ('APAC'). You will be provided with a copy of our report as a retail client because you are a shareholder of Tanami.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$34,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments - BDO Hong Kong is the statutory auditor of SHK Hong Kong Industries Ltd and Yu Ming Investment Management Ltd which are subsidiaries of Allied Group Limited.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Tanami for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Free call: 1800 367 287
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.



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9 April 2018

The Directors
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Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 5 February 2018, Tanami Gold NL ('Tanami' or 'the Company') announced that Allied Properties Resources Limited ('Allied') had entered into a conditional agreement to transfer its 38.09% (447,612,786 shares) holding in Tanami to APAC Resources Mining Limited ('APAC'). APAC is an indirect wholly owned subsidiary of APAC Resources Limited. The consideration payable to Allied is \$20,142,575, equating to approximately \$0.045 per share ('the Transaction').

2. Summary and Opinion

2.1 Purpose of the report

The directors of Tanami have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether the advantages of the Transaction outweigh the disadvantages from the perspective of the non associated shareholders of Tanami ('Shareholders').

Our Report is prepared pursuant to Item 7 of section 611 of the Corporations Act 2001 Cth ('Corporations Act' or 'the Act') and is to be included in the Notice of Meeting for Tanami in order to assist the Shareholders in their decision whether to approve the Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this report. We have considered:

- How the advantages of the Transaction compare to the disadvantages of the Transaction;
- The likelihood of a takeover offer being made for Tanami, therefore providing Shareholders with the opportunity to receive a control premium for their shares;
- Whether a premium for control is being offered in relation to the transfer of Tanami shares and whether this is appropriate;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- The position of Shareholders should the Transaction not proceed.

2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the advantages of the Transaction outweigh the disadvantages to Shareholders.

In particular, the Transaction will not result in any shift in value or dilution resulting from the transfer of existing Shares between Allied and APAC. Despite APAC paying a control premium to acquire the Tanami shares from Allied, we do not consider this to be a significant disadvantage because APAC has declared that it has no intention of making a takeover offer should this Transaction not proceed. We do not consider there to be any other material disadvantages to approving the Transaction.

2.4 Advantages and Disadvantages

We have considered the analysis in section 11 of this report, in terms of both

- advantages and disadvantages of the Transaction; and
- other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of an alternate proposal we believe that the advantages of the Transaction outweigh the disadvantages to Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
11.1.1	APAC specialises in investments in resource companies	11.2.1	APAC are paying a control premium in the range of up to 27%, which is not being offered to Shareholders
11.1.2	All costs incurred in relation to the Transaction are to be reimbursed by Allied and APAC		
11.1.3	An alternative for Allied could be to sell its shares on market, which is likely to decrease the Company's share price		

Other key matters we have considered include:

Section	Other considerations
11.3	Alternative proposals
11.4	If the Transaction is approved will it deter a takeover bid?
11.5	Practical level of control
11.6	Consequences of not approving the Transaction
11.7	Are further transactions planned between Allied and APAC?

3. Scope of the Report

3.1 Purpose of the Report

Section 606 of the Corporations Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 611 of the Corporations Act ('Section 611') permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Tamami, by either:

- undertaking a detailed examination of the Transaction themselves, if they consider that they have sufficient expertise, experience and resources; or
- By commissioning an Independent Expert's Report.

The directors of Tanami have commissioned this Independent Expert's Report to satisfy this obligation.

3.2 Regulatory guidance

In determining whether the advantages of the Transaction outweigh the disadvantages, we have had regard to the views expressed by ASIC in RG 111. This Regulatory Guide suggests that an opinion as to whether the advantages of a transaction outweigh the disadvantages should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to effect it.

RG 111 suggests that an expert should assess whether a premium for control will be provided to the vendor of any shares. The greater any premium for control then the greater the advantages of undertaking the transaction must be to non-associated shareholders.

RG 111 sets out that the expert should inquire whether further transactions are planned between the entity, the vendor or their associates and if any are contemplated determine if these are at arm's length.

RG 111 also suggests that an expert should consider whether the transaction will deter the making of a takeover bid.

3.3 Adopted basis of evaluation

RG 111 suggests that the main purpose of an independent expert's report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the transaction.

Having regard to RG 111, we have completed our Report as follows:

- An investigation into the advantages and disadvantages of the Transaction (Sections 11.1 and 11.2);
- An analysis of any premium for control received by Allied (Section 10.4); and
- An analysis of any other issues that could be reasonably anticipated to concern Shareholders as a result of the Transaction (Section 11.3, Section 11.4, Section 11.5, Section 11.6 and Section 11.7).

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Transaction

On 5 February 2018, Tanami announced that Allied had entered into a conditional agreement to transfer its 38.09% (447,612,786 shares) holding in Tanami to APAC for consideration of \$20,142,575, equating to approximately \$0.045 per share. APAC is an indirect wholly owned subsidiary of APAC Resources Limited, which is an established natural resources investment and commodities business that is listed on the Hong Kong Stock Exchange (collectively the 'APAC Group').

The APAC Group is an investment fund and commodity trading house which holds investments in natural resource companies and has a commodity trading business.

Allied is a member of the Allied Group, which holds 33.93% of the issued capital of APAC Resources Limited.

Further information on the Allied Group and APAC Group can be found in section 6 and section 7 of this Report respectively.

The Transaction is conditional upon the approval by Tanami Shareholders pursuant to Item 7 of section 611 of the Corporations Act.

Tanami has also entered into a cost reimbursement deed with Allied and APAC, meaning that all costs incurred by the Company in relation to the Transaction will be reimbursed by Allied and APAC.

5. Profile of Tanami

5.1 History and Overview

Tanami was listed on the Australian Securities Exchange ('ASX') in December 1986 and is a gold exploration company based in Western Australia. The Company is currently operating one project, being the Central Tanami Exploration Project. The Company divested its interest in the Western Tanami Exploration Project in November 2017.

The current directors and senior management of Tanami are:

- Mr Gerard McMahon, Non-Executive Chairman;
- Mr Arthur Dew, Non-Executive Director;
- Mr Carlisle Procter, Non-Executive Director; and
- Mr Brett Montgomery, Non-Executive Director.

In April 2015, Tanami commenced legal proceedings against Metals X Limited ('MLX') in relation to the Heads of Agreement the Company had entered into with MLX in February 2015, pursuant to which MLX was to acquire interests in the Central Tanami Project. In September 2016 Tanami reached an agreement with MLX to make a \$3 million settlement payment ('the Settlement').

In November 2017, Tanami finalised its 100% divestment of the aforementioned Western Tanami Project, receiving cash consideration of \$4 million from Northern Star Resources Limited ('Northern Star').

5.2 Central Tanami Gold Project

The Central Tanami Gold Project ('Central Tanami Project') is located in the Northern Territory, in close proximity to the Western Australian border.

In July 2015 Tanami entered into a joint venture agreement with Northern Star, who acquired a 25% stake in the project for consideration of \$20 million in cash and Northern Star shares. In accordance with the joint venture, management of the exploration activities in relation to the Central Tanami Project has been handed over to Northern Star who will sole fund all joint venture related expenditure, including exploration, evaluation and development costs during the sole funding period. The sole funding period will expire on the date on which the process plant at the Central Tanami Project has been refurbished to operating condition and has operated for a continuous 30-day period or has produced 5,000 ounces of gold ore. On the expiry of the sole funding period, Northern Star will earn a further 35% undivided interest in the Central Tanami Project, taking its total joint venture interest to 60%.

Pursuant to the joint venture agreement, Tanami was also granted two put options. The first put option allows Tanami the right but not the obligation to sell 15% of the Central Tanami Project to Northern Star for \$20 million in cash or Northern Star shares (valued at the 5 day VWAP prior to exercise) at any time up to the earlier of commercial production or three years after completion of the acquisition. If the option is exercised on commercial production, it must be within 30 days of production.

The second option grants Tanami the right but not the obligation to sell 25% of the Central Tanami Project for \$32 million in cash or Northern Star shares (valued at the 5 day VWAP prior to exercise) up to six months after commercial production is achieved.

5.3 Historical Balance Sheet

Statement of Financial Position	Reviewed as at 31-Dec-17 \$000's	Audited as at 30-Jun-17 \$000's	Audited as at 30-Jun-16 \$000's
CURRENT ASSETS			
Cash and cash equivalents	7,250	4,573	9,180
Other receivables	59	54	314
Inventories	128	251	128
Available for sale financial assets	4,575	3,563	4,940
TOTAL CURRENT ASSETS	12,012	8,441	14,562
NON-CURRENT ASSETS			
Other receivables	2,513	2,513	2,513
Property, plant and equipment	206	1,494	2,646
Acquired exploration and evaluation	15,539	15,539	15,539
TOTAL NON-CURRENT ASSETS	18,258	19,546	20,698
TOTAL ASSETS	30,270	27,987	35,260
CURRENT LIABILITIES			
Trade and other payables	65	252	411
Provisions	-	34	3,018
Deferred revenue	-	-	83
TOTAL CURRENT LIABILITIES	65	286	3,512
NON-CURRENT LIABILITIES			
Provisions	1,327	11,339	10,090
TOTAL NON-CURRENT LIABILITIES	1,327	11,339	10,090
TOTAL LIABILITIES	1,392	11,625	13,602
NET ASSETS	28,878	16,362	21,658
EQUITY			
Issued capital	317,637	317,637	317,637
Accumulated losses	(290,860)	(302,667)	(298,098)
Reserves	2,101	1,392	2,120
TOTAL EQUITY	28,878	16,362	21,658

Source: Tanami's audited financial statements for the years ended 30 June 2017 and 30 June 2016 and reviewed financial statements for the half year ended 31 December 2017

The above financial statements have been reproduced per the Company's audited financial statements. The figures have been rounded to the nearest \$1,000, as such rounding differences may occur.

We note the following in relation to Tanami's historical statement of financial position:

- Cash and cash equivalents decreased from \$9.2 million as at 30 June 2016 to \$4.6 million as at 30 June 2017, this is mainly due to the \$3.0 million cash payment made to Metals X in relation to the Settlement. An amount of \$3.4 million was spent on operating expenses, mainly relating to exploration and administration costs. This was partially offset by \$1.4 million being received for the sale of Northern Star shares during the period. Cash and cash equivalents increased to \$7.3 million at 31 December 2017, this is mainly due to \$4.0 million cash being received from Northern

Star for the sale of the Western Tanami Project in November 2017. This was partially offset by \$1.2 million being paid in the course of operations during the period.

- Available for sale financial assets of \$4.9 million and \$3.6 million as at 30 June 2016 and 30 June 2017 respectively, relate to an investment of listed shares in Northern Star. The decrease in this balance is primarily attributable to the sale of 250,000 of these shares during the year at a weighted average price of \$5.53 per share. Available for sale financial assets increased to \$4.6 million as at 31 December 2017, this is due to an increase in the fair value of the remaining 750,000 shares held in Northern Star at 31 December 2017.
- Property, plant and equipment decreased from \$2.6 million at 30 June 2016 to \$1.5 million at 30 June 2017, as a result of \$1.1 million in depreciation being incurred over the financial period. Property, plant and equipment decreased to \$0.2 million as at 31 December 2017, this is due to the sale of the Western Tanami Project to Northern Star in November 2017.
- The \$3 million current provisions balance as at 30 June 2016 was in relation to a provision that was raised for the Settlement paid to Metals X in 2017.
- Non-current provisions of \$10.1 million at 30 June 2016 mainly relate to site and mine restoration. This increased to \$11.3 million at 30 June 2017 as a result of a \$1.1 million increase in the site and mine restoration provision. Non-current provisions decreased to \$1.3 million as at 31 December 2017, this is due to the transfer of the mine restoration obligations upon sale of Western Tanami to Northern Star in November 2017. The remaining provision for rehabilitation relates to the Central Tanami Project.

5.4 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Reviewed for the half year ended 31-Dec-17 \$000's	Audited for the year ended 30-Jun-17 \$000's	Audited for the year ended 30-Jun-16 \$000's
Revenue	-	167	39
Other income	45	160	2,158
Profit on sale of assets	-	841	18,040
Care and maintenance costs	-	(3,356)	(2,942)
Exploration and evaluation expenses	-	(1,036)	(704)
Corporate and other expenses	(898)	(1,250)	(4,724)
Results from operating activities	(853)	(4,474)	11,867
Financial income	55	169	162
Financial expenses	-	(138)	(312)
Net finance expense	55	31	(150)
(Loss)/profit before income tax	(798)	(4,443)	11,717
Deferred income tax(expense)/benefit	304	(256)	853
(Loss)/profit from operations	(494)	(4,699)	12,570
(Loss)/profit for the year	(494)	(4,699)	12,570
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Profit from discontinued operations	12,301	-	-
Net (loss)/gain on financial assets classified as available for sale (net of tax)	709	(598)	1,990
Other comprehensive (loss)/gain for the year (net of income tax)	13,010	(598)	1,990
Total comprehensive (loss)/profit for the year attributable to owners of the Company	12,516	(5,297)	14,560

Source: Tanami's audited financial statements for the years ended 30 June 2017 and 30 June 2016 and reviewed financial statements for the half year ended 31 December 2017

We note the following in relation to Tanami's historical statement of profit or loss and other comprehensive income:

- Revenue from gold sales is related to the successful recovery of approximately 17 ounces and 98 ounces of gold through continued clean-up of the Coyote processing plant during the years ended 30 June 2016 and 30 June 2017 respectively.
- Other income was \$2.2 million for the year ended 30 June 2016 this is attributable to the Coyote Plant Agreement with ABM Resources NL, under which the Company received a \$2.0 million payment for the initial term of the lease for the Coyote gold plant and associated infrastructure. Other income of \$0.2 million for the year ended 30 June 2017 and \$0.05 million for the half year ended 31 December 2017 consist mainly of dividends received as well as other receipts.

- Profit on sale of assets for the year ended 30 June 2016 of \$18.0 million is made up of \$3.2 million through the sale of 3,290,228 Northern Star shares at a weighted average price of \$3.08 per share, as well as a \$14.8 million profit on the sale of the Company's 25% interest in the Central Tanami Project. The profit on sale of assets for the year ended 30 June 2017 of \$0.9 million related to the sale of 250,000 Northern Star shares at a weighted average price of \$5.53 per share.
- The gain on financial assets classified as available for sale of \$2.0 million for the year ended 30 June 2016 and \$0.7 million for the half year ended 31 December 2017 related to the net change in the fair value of the Company's Northern Star shares, while the loss of \$0.6 million for the year ended 30 June 2017 was a result of the decrease in the fair value of the Northern Star shares held.

5.5 Capital Structure

The share structure of Tanami as at 29 March 2018 is outlined below:

	Number
Total ordinary shares on issue	1,175,097,046
Top 20 shareholders	790,402,194
Top 20 shareholders - % of shares on issue	67.26%

Source: Share registry information

The range of shares held in Tanami as at 29 March 2018 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	1,635	584,348	0.05%
1,001 - 5,000	1,099	2,688,547	0.23%
5,001 - 10,000	370	2,848,344	0.24%
10,001 - 100,000	1,134	43,854,148	3.73%
100,001 - and over	559	1,125,121,659	95.75%
TOTAL	4,797	1,175,097,046	100.00%

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 29 March 2018 are detailed below:

Name	No of Ordinary Shares Held	Percentage of Issued Shares (%)
Allied Properties Resources Limited	377,612,786	32.13%
Sun Hung Kai INV SVCS LTD	164,413,248	13.99%
ABN AMRO CLRG SYD NOM PL	36,643,133	3.12%
Perth Select Seafoods PL	32,500,000	2.77%
Total Top 4	611,169,167	52.01%

Name	No of Ordinary Shares Held	Percentage of Issued Shares (%)
Others	563,927,879	47.99%
Total Ordinary Shares on Issue	1,175,097,046	100.00

Source: Share registry information

6. Profile of Allied Group

Allied Group is an investment holding company based in Hong Kong and is listed on the Stock Exchange of Hong Kong Limited with a current market capitalisation of approximately HKD 8.55 billion. The principal business activities of its major subsidiaries are property development and investment, hospitality related activities, elderly care services and the provision of finance and investments in listed and unlisted securities.

The current directors and senior management of Allied Group are:

- Mr Arthur Dew, Chairman;
- Mr Lee Seng Hui, Chief Executive Officer & Executive Director;
- Mr Li Cui Kong, Executive Director;
- Mr Mark Wong Tai Chun, Executive Director;
- Ms Lee Su Hwei, Non-Executive Director;
- Mr Steven Samuel Zoellner, Independent Non-Executive Director;
- Mr Alan Stephen Jones, Independent Non-Executive Director; and
- Mr David Craig Bartlett, Independent Non-Executive Director.

7. Profile of APAC Group

APAC Resources Limited is a natural resources investment and commodities business that is listed on the Hong Kong Stock Exchange. APAC Group is an established investment fund and commodity trading house which owns strategic interests in natural resource companies with the main business lines comprising of primary strategic investment, resource investment, and a commodity trading business, focused primarily on metals, mining and energy and investment in financial assets. APAC Group's investments in the resources sector comprise mostly minority holdings in natural resource companies listed on major stock exchanges including Australia, Canada, Hong Kong and the United Kingdom. Its investments span across several commodity segments, including energy, bulk commodities, base metals, and precious metals. APAC Group's primary strategic investment is in Mount Gibson Iron Limited ('Mount Gibson'), which is an Australian listed iron ore producer. Mount Gibson reported a net profit after tax of \$26 million for the 2017 financial year.

APAC Group's resources segment posted a fair value gain of HK\$55,402,000 for the 2017 financial year, which after accounting for segment related dividend and other investment income and expenses resulted in a profit of HK\$67,400,000.

Its precious metals segment mainly relates to gold, which generated a net fair value loss of HK\$14,070,000 in 2017, whilst bulk commodities, base metals and the energy sectors posted a HK\$25,986,000 gain, HK\$44,286,000 gain and a HK\$11,277,000 loss for the year ended 30 June 2017 respectively. APAC Groups's most significant investment in the gold industry is ABM Resources NL, which had a carrying value of HK\$28,999,000 at 30 June 2017 and generated a fair value gain of HK\$9,957,000 for the 2017 financial year.

APAC Group's significant investments within the bulk commodities sector include Shougang Fushan Resources Group, whilst base metals investments consist primarily of the investment in Katanga Mining Limited. APAC Group's largest investment in its energy sector is in Sinopec Corp, which generated a fair value gain of HK\$2,542,000 for the year ended 30 June 2017 to have a carrying value of HK\$9,135,000.

The current directors and senior management of APAC Resources Limited are:

- Mr Arthur Dew, Chairman & Non-Executive Director;
- Mr Brett Smith, Deputy Chairman & Executive Director;
- Mr Andrew Ferguson, Chief Executive Officer & Executive Director;
- Mr Lee Seng Hui, Non-Executive Director;
- Mr So Kwok Hoo, Non-Executive Director;
- Dr Wong Wing Kuen, Albert, Independent Non-Executive Director;
- Mr Chang Chu Fai, Johnson Francis, Independent Non-Executive Director;
- Mr Robert Moyse Willcocks, Independent Non-Executive Director;
- Mr Wong Tai Chun, Mark, Alternate to Mr Arthur Dew; and
- Ms Tam Kit Ling, Chief Financial Officer.

8. Industry analysis

Gold is a soft malleable metal which is highly desirable due to its rarity and unique mineral properties. Gold has been used in jewellery and as a form of currency for thousands of years, however in more recent history there has been increasing demand for its use in the manufacture of electronics, dentistry, medicine and aerospace technology.

In addition to its practical applications, gold also serves as an international store of monetary value. Gold is widely regarded as a monetary asset as it is considered less volatile than world currencies and therefore provides a safe haven investment during periods of economic uncertainty.

Once mined, gold continues to exist indefinitely and is often melted down and recycled to produce alternative or replacement products. Consequently, demand for gold is supported by both gold ore mining and gold recycling. A summary of the supply of gold for the seven years to 2017 is provided in the table below:

Gold supply (tonnes)	2011	2012	2013	2014	2015	2016	2017
Mine production	2,846	2,911	3,073	3,148	3,220	3,263	3,269
Net producer hedging	23	(45)	(28)	105	13	33	(30)
Recycled gold	1,667	1,691	1,262	1,189	1,120	1,295	1,160
Total supply	4,536	4,557	4,307	4,442	4,353	4,591	4,399

Source: World Gold Council and Independent Market Research

The gold ore mining industry ('the Industry') has performed steadily in recent years, with growth driven by price increases and slow economic growth. However, as the world economy stabilises following uncertainty surrounding the United States ('US') Presidential Election and the United Kingdom's exit from the European Union, Industry revenue is projected to stagnate.

Key External Drivers

Global gold prices have a significant impact on the revenue generated by Industry operators. When gold prices are low, gold miners are less likely to commit to projects with lower gold grades and higher production costs. Ultimately, a decline in gold prices reduces the viability of new and existing projects, which hinders Industry growth. According to IBIS World, the global price for gold is forecast to decrease over the next five years.

The global gold price is denominated in US dollars ('USD' or 'US\$') and therefore, the exchange rate directly affects the returns received by local Industry operators. A weaker Australian Dollar ('AUD') benefits the domestic industry by reducing prices in export markets and pushing up domestic prices, likely resulting in higher volumes. In 2017-18, IBIS World predicts the AUD will depreciate.

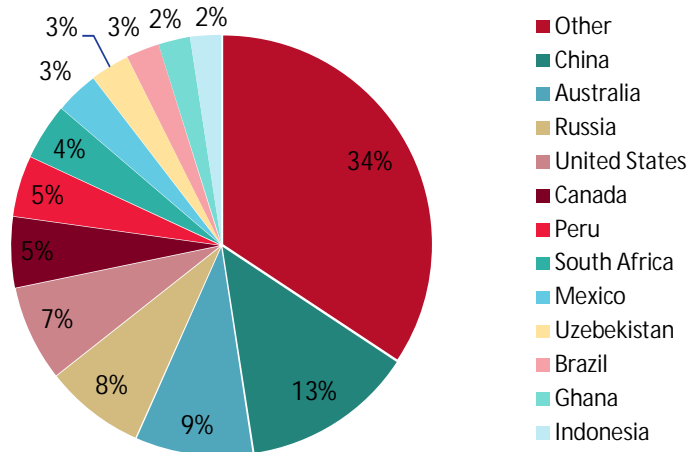
Global demand for gold is also inversely related to global economic performance. As gold is regarded as a store of value and is particularly sought after during periods of economic uncertainty, demand follows a counter cyclical pattern. Strong global gross domestic product ('GDP') growth can therefore have a negative impact on gold demand and the Industry. According to IBIS World, global economic performance is expected to improve in 2017-18, reducing demand for gold. As a result, Industry revenue is projected to decline at an annualised 1.8% over the five years through 2022-23, to total \$15.1 billion.

Gold Ore Mining Trends

Gold ore mining is a capital intensive and high cost process, which is becoming increasingly difficult and more expensive as the quality of ore reserves diminishes. The Industry also incurs many indirect costs related to exploration, royalties, overheads, marketing and native title law. Typically, many of these costs are fixed in the short term as a result of Industry operators' inability to significantly alter cost structures once a mine commences production.

Until the late 1980s, South Africa produced approximately half of the total gold ore mined globally. More recently however, the Industry has diversified geographically and China and Australia now dominate global gold production. According to the United States Geological Survey for January 2018, total estimated global gold ore mined for 2017 was approximately 3,150 metric tonnes. The chart below illustrates the estimated global gold production by country for 2017.

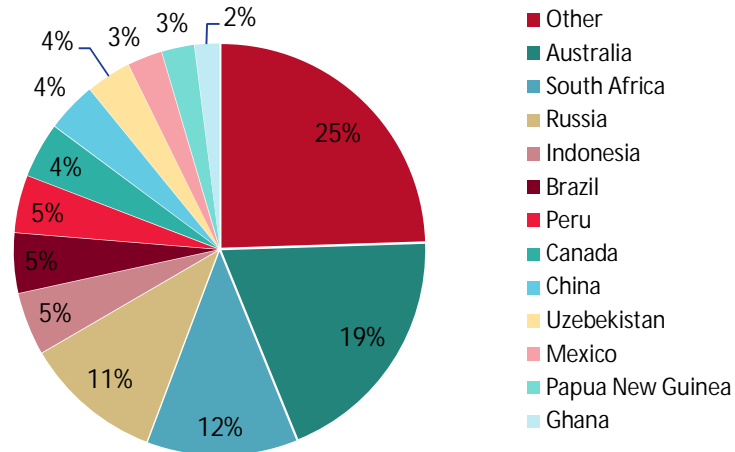
Gold mine production by country
2017 estimate



Source: United States Geological Survey and BDO analysis

Despite China leading global gold production in 2017, accounting for approximately 13%, Australia, South Africa and Russia hold the largest known gold reserves globally. As depicted below, collectively these three countries account for approximately 42% of global gold reserves.

Gold reserves by country 2017 estimate



Source: United States Geological Survey and BDO analysis

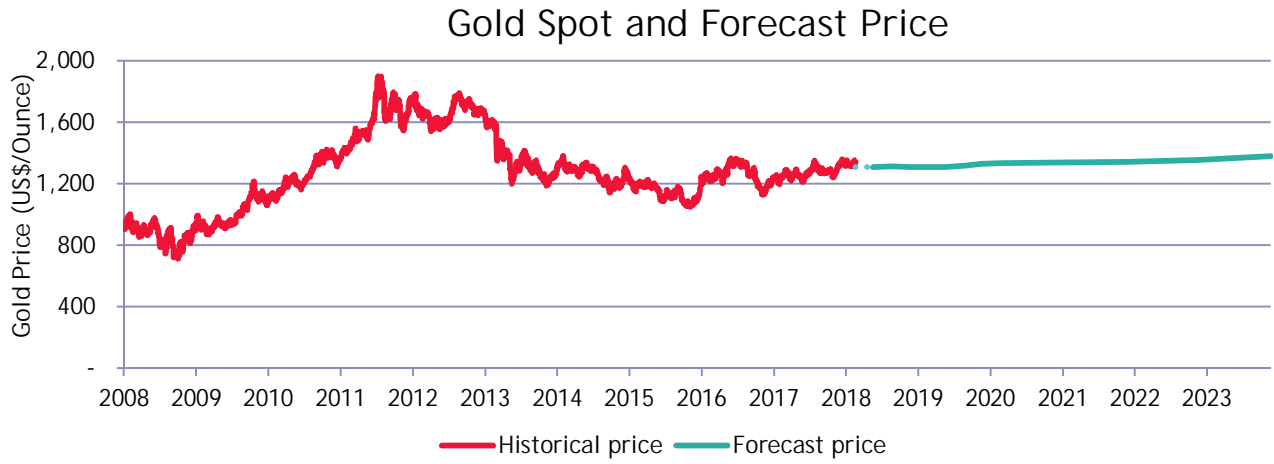
According to the 2017 US Geological Survey, Australia holds 9,800 tonnes of gold, representing 19% of global reserves and the largest percentage held by any country. In 2017-18, IBIS World predicts domestic Industry revenue will increase by 2.7% to reach \$16.6 million, boosted by increased domestic production. Over the five years through 2022-23 however, it is forecast that revenue will decline by an annualised 1.8%, influenced by a stronger AUD and reduced global demand.

Gold Prices

The price of gold peaked at US\$1,900 on 5 September 2011, due largely to the debt market crisis in Europe and the Standard and Poor's downgrade of the US credit rating. Global stock markets subsequently went into turmoil, which saw investors opt for the stability offered by gold.

The price of gold fluctuated around US\$1,700 during 2012 before entering a steep decline in 2013. The downturn represented the beginning of a correction in the price of gold, which had almost tripled in the two-year period prior to the European crisis in 2011. Improved market sentiment and increased risk appetite from investors saw gold prices continue to decline throughout 2014 and 2015 to US\$1,051 in December 2015.

During 2016, gold prices strengthened, likely as a result of heightened uncertainty surrounding the US Presidential election and the United Kingdom's exit from the European Union. The price of gold reached US\$1,363 in late 2016 before stabilising around US\$1,200 to US\$1,300 throughout 2017. In January 2018, the gold price reached a six-month high of US\$1,358. The gold spot price since 2008 and forecast prices through to 2023 are depicted in the graph below:



Source: Bloomberg, Consensus Economics and BDO analysis

According to Consensus Economics, gold prices are forecast to remain relatively stable with a long-term nominal price forecast of approximately US\$1,300 per ounce.

9. Valuation approach adopted

In order to assess the quantum of the control premium, if any, to be received by Allied for its shares, we have assessed the value of Tanami prior to the announcement of the Transaction.

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment such as a resource multiple

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Tanami shares we have chosen to employ the following methodologies:

- Sum-of-Parts valuation which values the individual components of the Company on a NAV basis. Included in our Sum-of-Parts valuation is the value of the Company's mineral assets, for which we have commissioned and relied upon the valuation performed by an independent technical specialist; and
- QMP.

We have chosen these methodologies for the following reasons:

- We have valued Tanami using the Sum-of-Parts method valuing each component on a NAV basis. We consider it appropriate to value Tanami using this approach because it is an exploration company, and its core value lies in the mineral assets it holds. We have engaged a technical specialist, being Agricola Mining Consultants Pty Ltd ('Agricola') to value the Company's interest in the Central Tanami Project;
- We also consider the QMP methodology to be relevant because Tanami shares are listed on the ASX. This means that there is a regulated and observable market where Tanami shares can be traded. In order for the QMP methodology to be considered appropriate for the purposes of a valuation, the market for the Company's shares should be liquid, active and fully informed of the Company's activities. Our analysis in Section 10.2 indicates that there is not a liquid and active market for the Company's shares as the Company's shares display a low level of liquidity. Therefore, we have chosen to consider a Sum-of-Parts valuation as our primary approach with QMP as a secondary approach;
- Pursuant to RG 111, we do not consider that we have reasonable grounds to rely on forecast cash flows for Tanami and therefore do not consider the application of the DCF methodology to be appropriate; and
- The FME methodology, is most commonly applicable to profitable businesses with steady growth histories and forecasts. We do not consider the FME methodology to be appropriate given that Tanami does not have a track record of profits. As such, we do not have a reasonable basis to assess the future maintainable earnings of the Company. Furthermore, the FME methodology is not considered appropriate for valuing finite life assets such as mining assets.

10. Valuation of Tanami

10.1 Sum-of-Parts valuation

We have employed the Sum-of-Parts method in estimating the fair market value of a Tanami share on a control basis prior to the Transaction by aggregating the estimated fair market values of its underlying assets and liabilities as set out below:

	Ref	Reviewed as at 31-Dec-17 \$000's	Low \$000's	Preferred \$000's	High \$000's
CURRENT ASSETS					
Cash and cash equivalents	10.1.1	7,250	8,844	8,844	8,844
Other receivables		59	59	59	59
Inventories		128	128	128	128
Available for sale financial assets	10.1.2	4,575	3,150	3,235	3,320
TOTAL CURRENT ASSETS		12,012	12,181	12,266	12,351
NON-CURRENT ASSETS					
Other receivables	10.1.3	2,513	2,513	2,513	2,513
Property, plant and equipment		206	206	206	206
Acquired exploration and evaluation	10.1.4	15,539	40,730	50,700	58,650
TOTAL NON-CURRENT ASSETS		18,258	43,449	53,419	61,369
TOTAL ASSETS		30,270	55,630	65,685	73,720
CURRENT LIABILITIES					
Trade and other payables		65	65	65	65
TOTAL CURRENT LIABILITIES		65	65	65	65
NON-CURRENT LIABILITIES					
Provisions	10.1.5	1,327	1,327	1,327	1,327
TOTAL NON-CURRENT LIABILITIES		1,327	1,327	1,327	1,327
TOTAL LIABILITIES		1,392	1,392	1,392	1,392
Value of Tanami on a controlling interest basis		28,878	54,238	64,293	72,328
Number of shares on issue (000)			1,175,097	1,175,097	1,175,097
Value per Tanami share (control) (\$)			0.046	0.055	0.062
Minority Discount	10.1.6		29%	26%	23%
Value per Tanami share (minority) (\$)			0.033	0.041	0.048

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of Tanami since the reviewed position at 31 December 2017, other than the adjustments set out below. The table above indicates the value of a Tanami share (on a minority interest basis) is between \$0.033 and \$0.048.

The following adjustments were made to the net assets of Tanami as at 31 December 2017 in arriving at our valuation.

10.1.1 Cash and cash equivalents

The adjustments to the 31 December 2017 cash position are set out in the table below.

Cash and cash equivalents	Note	\$'000
Cash balance at 31 December 2017		7,250
Add: Cash received on sale of 250,000 Northern Star shares	a	1,725
Other cash expenditure to 28 February 2018		(131)
Adjusted value of cash and cash equivalents		8,844

We note the following in relation to the above adjustments to cash and cash equivalents.

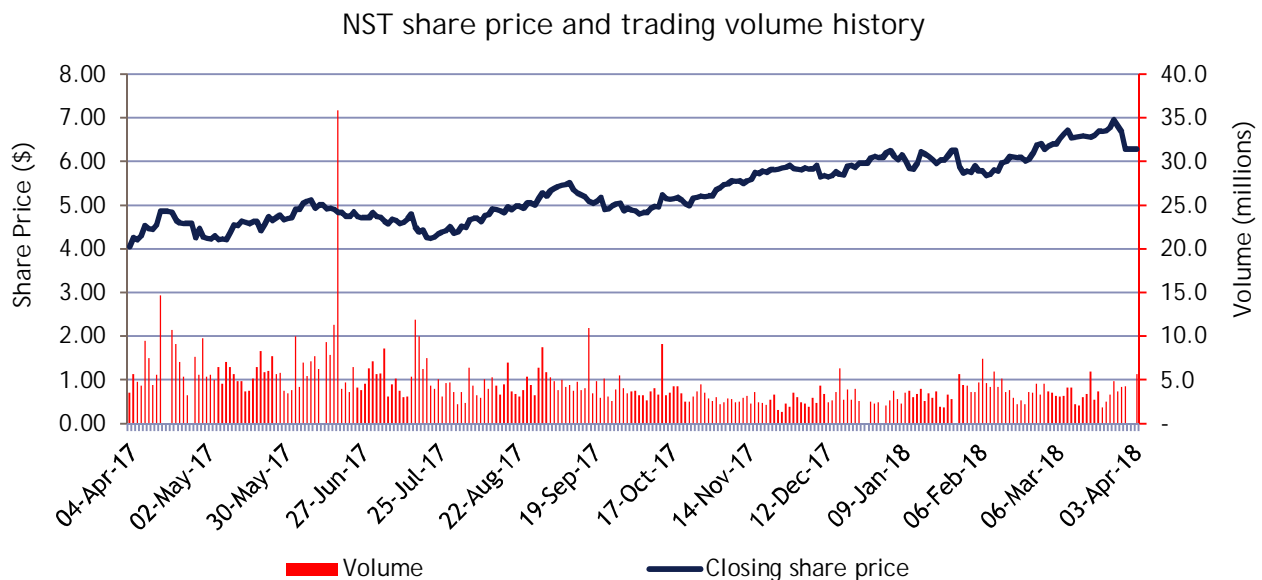
Note a) Cash received on sale of Northern Star shares

On 26 March 2018, the Company sold 250,000 of its shares in Northern Stars for net cash proceeds (after brokerage) of \$1,724,863. We have increased cash and cash equivalents and reduced the value of available for sale financial assets to reflect this sale.

10.1.2 Available for sale financial assets

The Company's available for sale financial assets relates to its holding of 500,000 shares in Northern Star. We note that at 31 December 2017, the Company held 750,000 shares, however on 26 March 2018, Tanami sold 250,000 shares for net cash proceeds of \$1,724,863.

Our analysis of the quoted market price of a Northern Star share is based on the share price movement for the twelve months to 3 April 2018.



Source: Bloomberg and BDO analysis

The daily price of Northern Star shares from 3 April 2017 to 3 April 2018 has ranged from a low of \$4.060 on 3 April 2017 to a high of \$6.960 on 26 March 2018. The share price of Northern Star has exhibited an upwards trend since July 2017.

To provide further analysis of the market prices for a Northern Star share, we have also considered the weighted average market price for 10, 30 and 60 day periods to 3 April 2018.

Share Price per unit	03-Apr-18	10 Days	30 Days	60 Days
Closing price	\$6.290			
Volume weighted average price (VWAP)		\$6.636	\$6.507	\$6.201

Source: Bloomberg, BDO analysis

An analysis of the volume of trading in Northern Star shares for the twelve months to 3 April 2018 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$6.265	\$6.370	5,648,002	0.92%
10 Days	\$6.265	\$6.970	30,280,979	4.94%
30 Days	\$5.980	\$6.970	99,798,128	16.29%
60 Days	\$5.570	\$6.970	209,087,388	34.13%
90 Days	\$5.570	\$6.970	290,183,155	47.36%
180 Days	\$4.320	\$6.970	634,210,513	103.51%
1 Year	\$4.100	\$6.970	1,134,068,890	185.09%

Source: Bloomberg, BDO analysis

Our analysis indicates that Northern shares display a high level of liquidity, with 47.36% of Northern Star's current issued capital being traded in a 90-day period and 185.09% over a twelve month period. As such, we consider there to be a liquid and active market.

Based on the above analysis, we consider the value of a Northern Star share to range from \$6.290 to \$6.636.

Given that based on historical trading volumes it would take less than one day to turnover Tanami's holding in Northern Star, we do not consider it appropriate to apply a lack of marketability discount. We have assessed the value of Tanami's holding in Northern Star as follows.

Value of Tanami's holdings in Northern Star	Low Value	High Value
Number of shares held by Tanami	500,000	500,000
Assessed value of a Northern Star share	\$6.290	\$6.636
Value of Tanami's holding in Northern Star	\$3,145,000	\$3,318,000

Source: Bloomberg and BDO analysis

We have used rounded values of between \$3.15 million and \$3.32 million, with a preferred value being the midpoint of \$3.235 million in our Sum-of-Parts valuation.

10.1.3 Other receivables

Other receivables relate to term deposits placed in support of environmental performance bonds. Based on the Company's unaudited management accounts at 28 February 2018, we do not consider that the value of these bonds would have changed materially since 31 December 2017. Therefore, we have not adjusted the value of these deposits from the reviewed position at 31 December 2017.

10.1.4 Acquired exploration and evaluation

We have commissioned a technical specialist, Agricola, to undertake a valuation of the Company's 75% interest in the Central Tanami Project. Agricola has used the comparable market transactions methodology to value the mineral resource at Central Tanami and has used the Kilburn approach to value the exploration ground. The Kilburn approach is a commonly used approach when valuing exploration ground on which there are no defined resources. Further information on the methodologies selected and considered by Agricola can be found in the Independent Specialist Valuation Report in Appendix Three. The market values as determined by Agricola are set out in the table below.

Acquired exploration and evaluation	Low \$'000	Preferred \$'000	High \$'000
Value of mineral resources	20,030	28,050	34,130
Value of exploration areas	20,700	22,650	24,530
Total value of Tanami's 75% interest in Central Tanami	40,730	50,700	58,650

Source: Independent Specialist Valuation Report contained in Appendix Three

10.1.5 Provisions

The non-current provision of \$1,327,000 relates to the restoration provision for the Central Tanami Project. Management advise that the value of this provision has not changed materially since the reviewed position at 31 December 2017, which is supported by the management accounts provided at 28 February 2018.

10.1.6 Minority interest discount

The Sum-of-Parts value represents a controlling interest, therefore in order to assess the quantum of the control premium paid by APAC, we consider it appropriate to assess the value of a Tanami share on a minority interest basis.

Set out below is our assessment of a reasonable control premium likely to be paid by an acquirer purchasing a controlling stake in Tanami.

Control premium

The concept of a premium for control reflects the additional value that attaches to a controlling interest.

We have reviewed the control premiums paid by acquirers of ASX listed gold mining companies and ASX listed general mining companies, since 2010. We have summarised our findings below:

ASX listed gold mining companies

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2018	1	25.72	113.01
2017	2	13.74	41.04
2016	4	31.73	48.77
2015	6	80.20	54.87
2014	8	130.38	44.36
2013	8	64.79	77.34
2012	10	215.40	39.72
2011	7	1154.20	34.95
2010	10	1482.75	56.11
	Mean	504.41	51.71
	Median	43.63	43.71

Source: Bloomberg

ASX listed general mining companies

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2018	2	35.14	79.63
2017	3	20.76	32.90
2016	9	46.89	78.44
2015	14	228.89	47.19
2014	13	135.34	43.81
2013	17	55.21	61.59
2012	21	464.02	49.13
2011	20	664.46	45.50
2010	26	873.87	46.36
	Mean	426.96	51.10
	Median	44.65	39.11

Source: Bloomberg

In arriving at an appropriate control premium to apply, we note that observed control premiums can vary due to the:

- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;
- perceived quality of existing management;
- nature and magnitude of business opportunities not currently being exploited;
- ability to integrate the acquiree into the acquirer's business;
- level of pre-announcement speculation of the transaction; and
- level of liquidity in the trade of the acquiree's securities.

The tables above indicate that the long term average of announced control premiums paid by acquirers of both ASX listed gold mining companies and ASX listed general mining companies is approximately 52%.

However, in assessing the sample of the transactions that were included in the table, we noted transactions within the list that appear to be extreme outliers. These outliers included five ASX listed gold mining transactions and 13 ASX listed general mining transactions, in which the announced control premium was in excess of 100%.

In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premiums over the review period were approximately 44% for ASX listed gold mining companies and 39% for ASX listed general mining companies.

Given that Tanami is an exploration company that is yet to produce operating revenue, we consider it unlikely that an acquirer would be willing to pay a premium in line with the historical averages observed on the ASX. Therefore, we consider a control premium in the range of 30% to 40% to be appropriate for Tanami.

A minority interest discount is the inverse of a premium for control and is calculated using the formula $1 - (1/1 + \text{control premium})$. Therefore, based on our assessment of a control premium between 30% and 40%, we consider an appropriate minority interest discount to be in the range of 23% to 29%.

10.2 Quoted Market Prices for Tanami Securities

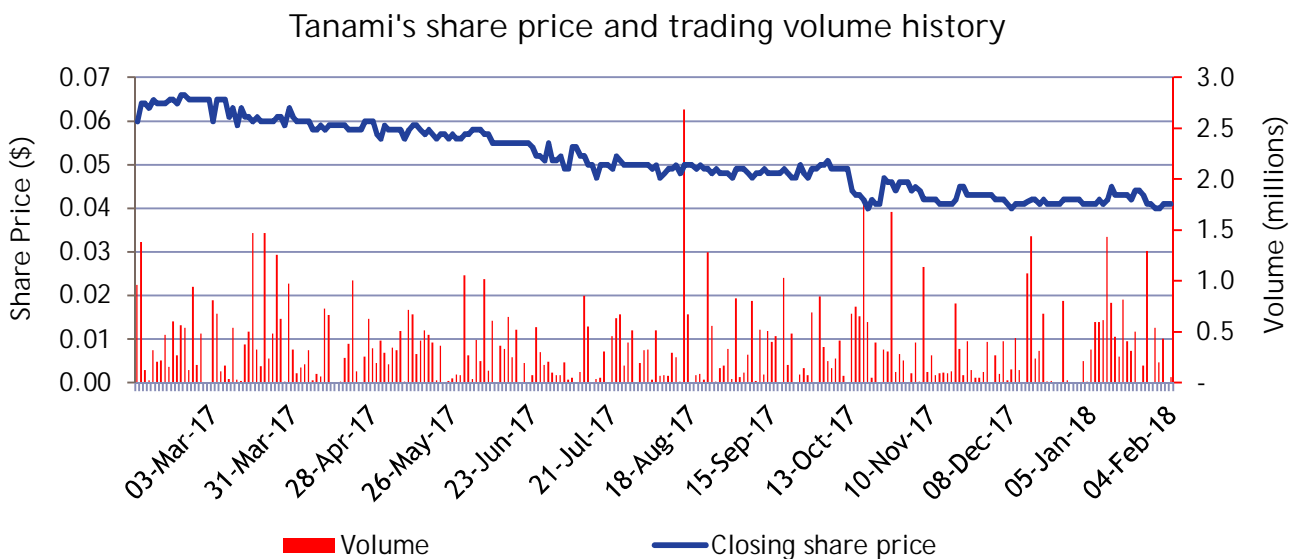
To provide a comparison to the valuation of Tanami in Section 10.1, we have also assessed the quoted market price for a Tanami share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

Minority interest value

Our analysis of the quoted market price of a Tanami share is based on the pricing prior to the announcement of the Transaction. This is because the value of a Tanami share after the announcement may include the effects of any change in value as a result of the Transaction. However, we have considered the value of a Tanami share following the announcement when we have considered the consequences of not approving the Transaction in section 11.6.2.

Information on the Transaction was announced to the market on 5 February 2018. Therefore, the following chart provides a summary of the share price movement over the twelve months to 4 February 2018 which was the last trading day prior to the announcement of the Transaction.



Source: Bloomberg

The daily price of Tanami shares from 4 February 2017 to 4 February 2018 has ranged from a low of \$0.039 in October and December 2017, as well as January 2018 to a high of \$0.066 in February 2017.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement		Closing Share Price Three Days After Announcement	
		\$ (movement)		\$ (movement)	
30/01/2018	Quarterly Report and Appendix 5B	0.040	▶ 0.0%	0.041	▲ 2.5%
15/01/2018	Change in substantial holding	0.043	▼ 4.4%	0.043	▶ 0.0%
12/01/2018	Change in substantial holding	0.045	▲ 7.1%	0.043	▼ 4.4%
29/11/2017	Completion of the Sale of Western Tanami Project	0.043	▶ 0.0%	0.042	▼ 2.3%
28/11/2017	Results of Meeting	0.043	▶ 0.0%	0.043	▶ 0.0%
27/10/2017	Notice of Annual General Meeting	0.046	▶ 0.0%	0.046	▶ 0.0%
23/10/2017	Appendix 4G	0.041	▼ 2.4%	0.046	▲ 12.2%
23/10/2017	Corporate Governance Statement	0.041	▼ 2.4%	0.046	▲ 12.2%
23/10/2017	2017 Annual Report	0.041	▼ 2.4%	0.046	▲ 12.2%
23/10/2017	Quarterly Activities Review and App 5B	0.041	▼ 2.4%	0.046	▲ 12.2%
03/10/2017	Proposed Sale of Western Tanami Project	0.050	▲ 2.3%	0.049	▼ 2.0%
19/09/2017	Ceasing to be a substantial holder	0.048	▶ 0.0%	0.047	▼ 2.1%
18/09/2017	Annual Financial Statements	0.048	▶ 0.0%	0.048	▶ 0.0%
27/07/2017	Quarterly Activities Report & Appendix 5B	0.050	▶ 0.0%	0.050	▶ 0.0%
27/04/2017	Quarterly Activities Report & Appendix 5B	0.060	▶ 0.0%	0.056	▼ 6.7%
21/03/2017	Update	0.060	▼ 2.0%	0.060	▶ 0.0%
20/03/2017	Update	0.061	▲ 2.2%	0.060	▼ 1.6%
14/03/2017	Half Yearly Report and Accounts	0.063	▲ 7.1%	0.060	▼ 4.8%
17/02/2017	Response to ASX Aware Letter	0.065	▶ 0.0%	0.066	▲ 1.5%

Source: Bloomberg, BDO analysis

On 27 April 2017, the Company released its quarterly activities report for the quarter ended 31 March 2017. The report detailed a deteriorating cash balance. On the date of the announcement, Tanami's share price remained unchanged. However, over the subsequent three trading days the share price decreased by 7% to \$0.056.

On 23 October 2017, the Company released its 2017 Annual Report as well as its quarterly activities report for the quarter ending September 2017. The quarterly activities report detailed the proposed sale of the Western Tanami Project as well as an update on the joint venture with Northern Star. On the date of the announcement, Tanami's share price decreased by 2.4% to \$0.041. However over the subsequent three trading days the share price increased by 12.2% to \$0.046.

On 12 January 2018, the Company announced a change in substantial holding of Allied and its related entities, with its ownership increasing to 38.09%. On the date of the announcement, Tanami's share price increased by 7.1% to \$0.045. However, over the subsequent three trading days the share price decreased by 4.4% to \$0.043.

On 15 January 2018, the Company announced a change in substantial holding of China Medical & Health Care Group Limited, with its ownership decreasing from 9.64% to 6.66%. On the date of the announcement, Tanami's share price decreased by 4.4% to \$0.043 and remained unchanged three days after the announcement.

To provide further analysis of the market prices for a Tanami share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 4 February 2018.

Share Price per unit	04-Feb-18	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.041				
Volume weighted average price (VWAP)		\$0.041	\$0.042	\$0.042	\$0.043

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of Tanami shares that has occurred since the Transaction was announced.

An analysis of the volume of trading in Tanami shares for the twelve months to 4 February 2018 is set out below:

Trading days	Share price		Cumulative volume traded	As a % of Issued capital
	low	high		
1 Day	\$0.041	\$0.041	54,058	0.00%
10 Days	\$0.039	\$0.044	3,184,063	0.27%
30 Days	\$0.039	\$0.045	10,797,780	0.92%
60 Days	\$0.039	\$0.046	18,803,851	1.60%
90 Days	\$0.039	\$0.051	30,896,996	2.63%
180 Days	\$0.039	\$0.059	58,488,283	4.98%
1 Year	\$0.039	\$0.067	88,018,353	7.49%

Source: Bloomberg, BDO analysis

This table indicates that Tanami's shares display a low level of liquidity, with 7.49% of the Company's current issued capital being traded in a twelve- month period and 2.63% over a 90-day period. RG 111.69

states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Tanami, we do not consider there to be a deep market for the Company's shares as a result of only 7.49% of the Company's current issued capital being traded over a twelve month period prior to the announcement of the Transaction.

Our assessment is that a range of values for Tanami shares based on market pricing, after disregarding post announcement pricing, is between \$0.041 and \$0.043, with a midpoint value of \$0.042. The results of our QMP analysis of Tanami are summarised in the table below:

QMP	Low	Midpoint	High
	\$	\$	\$
Assessed QMP per share	0.041	0.042	0.043

Source: BDO analysis

10.3 Assessment of the value of a Tanami share

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
Sum of parts (Section 10.1)	0.033	0.041	0.048
ASX market prices (Section 10.2)	0.041	0.042	0.043

Source: BDO analysis

We note that the value ranges overlap and the low and preferred values obtained under the QMP method are higher than the values obtained from the Sum-of-Parts method. The difference in values derived from the above methodologies may be explained by the following:

- Our QMP analysis in section 10.2 indicates that Tanami shares display a low level of liquidity with only 7.49% of the Company's issued capital traded in the twelve months prior to the announcement of the Transaction. Therefore, the quoted market price may not reflect the underlying value of the Company's shares.

We consider the Sum-of-Parts to be the most appropriate methodology to value Tanami for the following reasons:

- Our QMP analysis in section 10.2 indicates that Tanami shares display a low level of liquidity with only 7.49% of the Company's issued capital traded in the twelve months prior to the announcement of the Transaction. Therefore, we do not consider the quoted market price to be a reliable methodology to value a share in Tanami; and
- Tanami is an exploration company, therefore its core value lies in the mineral assets that it holds. The Sum-of-Parts valuation includes a valuation of the Company's mineral assets by an independent technical specialist. Agricola has used a market based assessment of the mineral resource based on resource multiples observed in actual market transactions. Given that actual arm's length transactions of comparable assets can be regarded as the most tangible evidence of value, we consider this to be the most appropriate methodology to value Tanami's mineral resource at its Central Tanami Project. Also, the technical specialist has used the Kilburn approach to value the Company's exploration areas, where a resource has yet to be defined. A technical specialist is likely to have a more informed and realistic view of the value of the Company's exploration areas than that assigned by the market, therefore we consider incorporating this valuation into the Sum-of-Parts valuation to be the most appropriate approach.

Based on the results above we consider the value of a Tanami share to be between \$0.033 and \$0.048, with a preferred value of \$0.041.

10.4 Assessment of the control premium paid by APAC

Based on our assessed values above, we have assessed the control premium paid by APAC to Allied to be between nil and 27% with a preferred of 9% as set out below.

	Low	Preferred	High
	\$	\$	\$
Assessed value of a Tanami share (minority)	0.033	0.041	0.048
Price per share paid by APAC (control)	0.045	0.045	0.045
Assessed control premium to be paid by APAC	27%	9%	0%

11. Evaluation of the Transaction

11.1 Advantages

11.1.1. APAC specialises in investments in resource companies

The Directors of Tanami, Allied and APAC have advised that APAC Group's specialist resource investment team may provide benefits to Tanami. Specifically, given that APAC Group has experience in holding substantial interests in resource companies, the management of APAC Group may bring additional mining expertise such as bringing learnings from its other investments, and may provide these to the management

of Tanami. Also, given that APAC will hold 38.09% of Tanami, APAC's interests will be aligned with Shareholders.

11.1.2. All costs incurred in relation to the Transaction are to be reimbursed by Allied and APAC

Tanami has also entered into a cost reimbursement deed with Allied and APAC, meaning that all costs incurred by the Company in relation to the Transaction will be reimbursed by Allied and APAC. Therefore, the transfer of existing shares between Allied and APAC will not impact the value of existing Shareholders' interests.

We note that in the event that a full or proportional takeover offer is made, any costs arising from the offer, such as professional fees incurred in preparing a Target's statement would be borne by the Company.

11.1.3. An alternative for Allied could be to sell its shares on market, which may decrease the Company's share price

We have made enquiries of the Directors of Tanami, Allied and APAC, however we have not been advised of Allied's intention should this Transaction not be approved. If it is Allied's intention to divest its interest in Tanami, a possible alternative to this Transaction could be that Allied sells its shares on market. Given the low level of trading in Tanami's shares this may take some time. This is likely to cause downward pressure on the Company's share price, which would reduce the value of Shareholders' interests potentially for a protracted period.

11.2 Disadvantages

11.2.1. APAC are paying a control premium in the range of up to 27% to Allied, which is not being offered to Shareholders

Based on our valuation analysis in section 10, we have concluded that APAC are paying a control premium in the order of between nil and 27%. Given that APAC are paying this control premium to Allied, it prevents other Shareholders from receiving a similar control premium in the event that APAC elected to make a formal takeover bid or proportional offer to all Shareholders.

Similarly, an alternative for APAC could be to progressively increase its interest pursuant to the creep provisions of section 611 of the Corporations Act whereby a controlling shareholder can acquire an additional 3% every six months without obtaining shareholder approval. We note from our analysis in section 10.2 that Tanami shares display a low level of liquidity with only 7.49% of shares traded in the twelve months prior to the announcement of the Transaction. Therefore, if these on market purchases were to occur it may provide Shareholders with an opportunity to liquidate their positions and may place upward pressure on the Company's share price.

However, as detailed below in section 11.3, based on our enquiries, nothing has come to our attention to suggest that an alternative offer would be presented to Shareholders if this Transaction is not approved. Even if an alternative offer was made, the price, structure and terms of such an offer are not known and cannot be predicted.

We note that the above assessed control premium range of nil to 27% is lower than our assessed control premium range of 30% to 40% as detailed in section 10.1.7. Therefore, Shareholders are not forgoing the opportunity of receiving a full takeover premium in the future.

11.3 Alternative Proposal

We have made enquiries of Allied and APAC regarding their intentions in the event that Shareholders do not approve the Transaction. Based on these responses, we are not aware of any alternative proposals that are likely to emerge, should this Transaction not be approved.

Further, the Directors of Tanami are not aware of any other proposal that may emerge should this Transaction not be approved.

However, as outlined in section 11.1.3, if the Transaction is not approved, we note that an alternative available to Allied is to sell down its shares on market. If this sale down occurs, it will reduce the presence of a controlling shareholder, therefore this may increase the liquidity of the Company's shares and may also provide Shareholders with the opportunity to receive a takeover premium in the future. We note that a potential decrease in share price as a result of Allied selling its shares, may offset any takeover premium received. We also note that there is no certainty that a takeover bid will emerge.

11.4 If the Transaction is approved will it deter a takeover bid?

Given that the Transaction represents a transfer of existing shares, there are no control implications as Allied is being replaced by APAC as the Company's controlling shareholder. As such, we consider it unlikely that if the Transaction is approved, it would deter a takeover bid from an alternate party.

11.5 Practical Level of Control

Prior to the Transaction, Allied and its associates holds 38.09% of Tanami's issued capital. If the Transaction is approved then this interest will be transferred to APAC, which will mean that APAC will replace Allied as a controlling shareholder. Therefore, there will be no control implications for existing Shareholders as the Transaction represents a transfer of existing shares. As such, Shareholders' interests prior to and following the Transaction will remain unchanged.

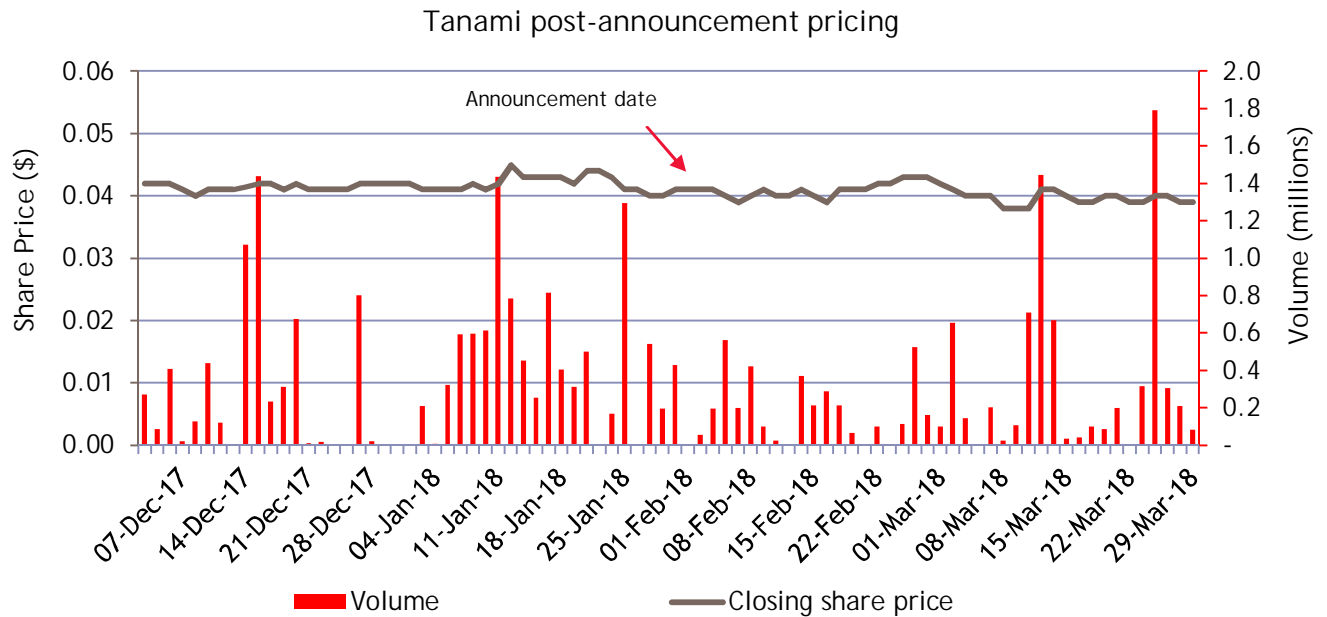
11.6 Consequences of not Approving the Transaction

11.6.1 Allied will remain as Tanami's controlling shareholder

If the Transaction is not approved then the Company's shareholding structure will remain unchanged as Allied will continue to hold 38.09% of Tanami's issued capital.

11.6.2 Impact on the Company's share price

We have analysed movements in Tanami's share price since the Transaction was announced. A graph of Tanami's share price prior to and since the announcement is set out below.



Source: Bloomberg

Based on the above analysis, it appears that the market is neutral to the Transaction. Therefore, we do not consider it likely that the approval or rejection of the Transaction would have a material impact on the Company's share price.

11.7 Are further transactions planned between Allied and APAC?

Based on our enquiries of the Directors, we are not aware of any further transactions planned between Allied and APAC.

12. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the advantages of the Transaction to Shareholders outweigh the disadvantages. We consider the advantages to outweigh the disadvantages because there is no shift in value or dilution resulting from the transfer of existing Shares between Allied and APAC. Despite APAC paying a control premium to acquire the Tanami shares from Allied, we do not consider this to be a significant disadvantage because APAC has declared that it has no intention of making a takeover offer should this Transaction not proceed. We do not consider there to be any other material disadvantages to approving the Transaction.

13. Sources of information

This report has been based on the following information:

- Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Tanami for the years ended 30 June 2015, 30 June 2016 and 30 June 2017;

- Reviewed financial statements of Tanami for the half year ended 31 December 2017;
- Unaudited management accounts of Tanami at 28 February 2018;
- Share Sale Agreement between Allied and APAC;
- Independent Technical Specialist Valuation Report prepared by Agricola;
- Cost Reimbursement Deed dated 7 February 2018 between Allied, APAC and Tanami;
- Hong Kong Stock Exchange announcement by APAC;
- Consensus Economics;
- Bloomberg data;
- Capital IQ data;
- ASX announcements;
- Share registry information; and
- Discussions with Directors and Management of Tanami, Allied and APAC.

14. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$34,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Tanami in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Tanami, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Tanami, APAC and Allied and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Tanami, APAC and Allied and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Tanami, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Tanami and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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15. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

16. Disclaimers and consents

This report has been prepared at the request of Tanami for inclusion in the Notice of Meeting which will be sent to all Tanami Shareholders. Tanami engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the transfer of Allied's 38.09% interest in Tanami to APAC.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to the Transaction. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances.

Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Tanami, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Tanami.

The valuer engaged for the mineral asset valuation, Agricola, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.


The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes
Director



Adam Myers
Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
Agricola	Agricola Mining Consultants Pty Ltd
APAC	APAC Resources Mining Limited
APAC Group	APAC Resources Limited and all its subsidiaries
Allied	Allied Properties Resources Limited
Allied Group	Allied Properties (H.K.) Limited
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian Dollar
BDO	BDO Corporate Finance (WA) Pty Ltd
The Company	Tanami Gold Limited
Corporations Act	The Corporations Act 2001 Cth
Central Tanami Project	Central Tanami Gold Project
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service

Reference	Definition
GDP	Gross Domestic Product
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
The Industry	Gold ore mining industry
MLX	Metals X Limited
NAV	Net Asset Value
Mount Gibson	Mount Gibson Iron Limited
Northern Star	Northern Star Resources Limited
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Section 411	Section 411 of the Corporations Act
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of Tanami Gold NL
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
Tanami	Tanami Gold NL
The Settlement	Tanami Gold NL's legal proceedings against Metals X Limited
The Transaction	The proposal to transfer 38.09% of ownership in Tanami Gold NL from Allied Properties Resources Limited to APAC Resources Mining Limited

Reference	Definition
US	United States
USD or US\$	United States Dollar
Valmin Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

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 BDO Corporate Finance (WA) Pty Ltd
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Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 Net asset value ('NAV')

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 Quoted Market Price Basis ('QMP')

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 Capitalisation of future maintainable earnings ('FME')

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

The resource multiple is a market based approach which seeks to arrive at a value for a company by reference to its total reported resources and to the enterprise value per tonne/lb of the reported resources of comparable listed companies. The resource multiple represents the value placed on the resources of comparable companies by a liquid market.

Appendix 3 - Independent Specialist Valuation Report
